Supreme Court, U.S.
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No. 92-1507

In The

Supreme Court of the United States

October Term, 1992

ALBERT L. DE GRAFFENRIED,

Petitioner,

v.

THE UNITED STATES,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For the Federal Circuit

REPLY BRIEF OF PETITIONER

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RULE CITED

Rule 24.1(a), Rules of the Supreme Court 1

REPLY ARGUMENT

I. Question Stated By Government Changes the Substance of the Question Raised in Petition

The question raised by the Petitioner in its Petition is whether an internal memorandum written by a patentee two years prior to the date the patent issued, that is, the date of the eminent domain taking by the United States Government, is the best indication of the value of this patent at the time of the taking.

The Government, in its Opposition Brief (hereinafter "Op. Br."), rephrases the question to read: "Whether the trial court erred in assessing damages for the unauthorized use of a patented invention based on the patentee's evaluation of a reasonable royalty for use of the patent."

The question raised by the Government changes the substance of the question presented in the Petition contrary to Rule 24.1(a), Rules of the Supreme Court. It is granted that a trial court may properly take into account the patentee's evaluation of a reasonable royalty. However, the question stated by the Government does not reach the issue as raised by the Petitioner in its Petition for Writ of Certiorari as to whether the specific memorandum identified in the Petition is the best indication of the patentee's valuation of a reasonable royalty for use of the patent at the time of the taking by the Government. The proposal discussed in this memorandum was never accepted by anyone. It is submitted that the terms of this proposal fail for all purposes, as a matter of law. *United States v. Berdan Firearms Manf. Co.*, 156 U.S. 552, 570, 39 L.Ed. 530, 15 S.Ct. 420 (1895) (Pet. 12-13).

II. Reply to Argument of the Government

The Government's argument at Op. Br. 4, that the "trial court's determination of the amount of a reasonable royalty in this case rested on its evaluation of conflicting evidence", is not an accurate representation of the record before the Claims Court.

There is no conflicting evidence as to the Westinghouse memorandum described in Paragraph No. 9 of Petitioner's Statement of the Case (Pet. 4). The Government does not specify the conflicting evidence to which the Government is referring.

Further, at Op. Br. 4, the Government states that: "petitioner failed to prove at trial the extent to which the cost savings on which he relies were caused by the use of the patented invention, rather than other technological improvements", citing Pet.App. 102a-103a n.7. A review of this footnote shows that the Claims Court found neither party, not just the Petitioner, quantified the extent to which the $2.8 million in cost savings was attributable to the Arsenal's own technological improvements rather than the Petitioner's invention. The burden of proof as to what portion of the cost savings is to be attributed to the Government's technological improvements is on the Government not the Petitioner. *Horvath v. McCord Radiator Mfg. Co.*, 100 F.2d 326, 330 (6th Cir. 1938) citing *Westinghouse Electric Mfg. Co. v. Wagner Electric Mfg. Co.*, 225 U.S. 604, 623, 32 S.Ct. 691, 56 L.Ed. 1222 (1912).

Further, at Op. Br. 4, the Government states that the "bottom line is that the most probative evidence regarding the value of the patent as of the time of the taking was petitioner's own valuation shortly before the patent

was first used by the Government." As argued by Petitioner, the timing of the valuation is at the time of the taking not at the time shortly before the patent was surreptitiously first used by the Government (Pet. 7-8). Furthermore, the patent had not yet issued when the invention was first used by the Government.

The issue raised by the Government at Op. Br. 5, that the Claims Court viewed per-use royalties as being inconsistent with practices in the manufacturing industries, was not raised by Petitioner in his Petition. However, it is undisputed that there is no evidence of the licensing practices of an individual patentee, as is the case with this Petitioner. The evidence submitted by the Government at trial related to the licensing practices of Bethlehem Steel Corporation and Westinghouse Electric Corporation, both of which are multi-million dollar companies and not a struggling individual patentee who never built or sold a device covered by the patent in suit.

Finally, the attempt by the Government to distinguish *Berdan Firearms, supra,* fails to address the reason for which this case was cited by the Petitioner. The question raised in this Petition is whether an internal memorandum describing a proposed proposal to Westinghouse, which proposal was never accepted by Westinghouse, and which proposal was written two years prior to the date of issuance of the patent in suit, that is, the time of the taking by the Government, is the best indication of the value of the patent at the time of the taking by the Government. The *Berdan Firearms* case directly and fully supports Petitioner's argument.

CONCLUSION

In view of the foregoing reasons and those given in the Petition, it is respectfully requested that the Petition for Writ of Certiorari be granted.

Respectfully submitted,

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